

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 EB-07 L-02 H-01 CIAE-00 INR-07

NSAE-00 RSC-01 /037 W
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R 271717Z JAN 75
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6181
INFO AMCONSUL MARTINIQUE

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E.O. 11652: N/A
TAGS: EFIN, FR
SUBJECT: U.S. INVESTMENT IN ST. MARTIN

REF: PARIS 30173

1. ON JANUARY 24 ECON/COM MIN AND FINATT SAWIXELORME, DIRECTEUR DU CABINET OF ECONOMICS MINISTER FOURCADE, CONCERNING BIALAC'S REQUEST FOR AUTHORIZATION OF FRENCH GOVERNMENT TO BID ON LA BELLE CREOLE HOTEL PROPERTY, SAINT MARTIN, FWI, WHICH WILL SHORTLY BE SOLD AT PUBLIC AUCTION. ALSO PRESENT AT INTERVIEW WERE NEBOT, ASSISTANT DIRECTOR OF FRENCH TREASURY (RESPONSIBLE INTER ALIA FOR OVERSEAS DEPARTMENTS), AND GUENAFF, OFFICIAL IN CABINET HANDLING MATTERS RELATING TO OVERSEAS DEPARTMENTS.

2. ECON/COM MIN SAID OUR PURPOSE WAS TO URGE THAT FRENCH GOVT AUTHORIZE BIALAC TO COMPETE IN FORTHCOMING AUCTION ON SAME TERMS AS ANY FRENCH OR OTHER FOREIGN BIDDER. WE UNDERSTOOD FROM BIALAC'S PARIS ATTORNEYS THAT UNDER FRENCH FOREIGN INVESTMENT REGULATIONS, BIALAC AS FOREIGN NATIONAL HAD TO HAVE SUCH PRIOR AUTHORIZATION.

3. FRENCH OFFICIALS REPLIED THAT TO BEST OF THEIR
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KNOWLEDGE, INVESTMENT REGULATIONS DID NOT REQUIRE ANY

PRIOR AUTHORIZATION FOR BIALAC TO MAKE BID FOR ACQUISITION OF BELLE CREOLE PROPERTY, WHICH THEY DESCRIBED AS "REAL ESTATE TRANSACTION" RATHER THAN DIRECT INVESTMENT. THEY UNDERTOOK TO CONFIRM THEIR IMPRESSION IN THIS REGARD AND LET US KNOW SOONEST. WHILE THEY GAVE NO COMMITMENT ON THE MATTER, WE BELIEVE IT PROBABLE THAT EVEN IF PRIOR AUTHORIZATION TECHNICALLY NECESSARY, IT WOULD BE GRANTED.

4. THERE WAS CONSIDERABLE DISCUSSION OF WHAT WOULD BE BIALAC'S SITUATION IF HE WERE SUCCESSFUL BIDDER. DELORME AND HIS ASSOCIATES STIPULATED THAT FRENCH GOVT DID NOT HAVE ANY OBLIGATION TO ACCORD TO BIALAC AS SUCCESSFUL BIDDER SAME BENEFITS (BEACH RIGHTS AND TAX ADVANTAGES) AS HAD BEEN GRANTED IN EARLY 1974 BY DECISION OF THEN PRIME MINISTER MESSMER TO COMPETING FRENCH GROUP IN RETURN FOR ITS UNDERTAKINGS REGARDING (A) SETTLEMENT OF CLAIM OF FRENCH GOVT (REGIONAL DEVELOPMENT COMPANY IN GUADELOUPE) AGAINST THE BANKRUPT COMPANY THAT INITIATED BELLE CREOLE PROJECT, (B) "SOCIAL WELFARE" (CONSTRUCTION OF RETIREMENT CENTER), AND (C) TOURIST PROMOTION ASPECTS OF PROJECT. THEY DECLINED TO SUBSCRIBE TO THE POSTULATE ADVANCED BY US THAT IF BIALAC WERE PREPARED TO OFFER SAME UNDERTAKINGS, HE SHOULD, AS MATTER OF EQUITY, BE ENTITLED TO SAME BENEFITS, SAYING ONLY THAT THESE WERE MATTERS FOR FRENCH GOVT TO DISPOSE OF IN ITS SOVEREIGNTY AS IT SAW FIT.

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5. ECON/COM MIN SAID WE TOOK NOTE WITH SATISFACTION OF STATEMENT OF FRENCH REPRESENTATIVES THAT, SUBJECT TO CONFIRMATION, BIALAC WAS FREE TO BID ON BELLE CREOLE PROPERTY IN PUBLIC AUCTION. WE WOULD AT SAME TIME ALERT HIM TO FRENCH POSITION THAT HAVING WINNING BID DID NOT NECESSARILY MEAN HE WOULD GET OTHER BENEFITS WHICH HAD BEEN EXTENDED TO BANKRUPT COMPANY NOR THOSE WHICH HAD BEEN PROMISED COMPETING FRENCH GROUP A YEAR AGO. ECON/COM MIN MADE IT CLEAR, HOWEVER, THAT OUR WILLINGNESS TO INFORM BIALAC OF FOREGOING DID NOT MEAN THAT WE ACQUIESCED IN FRENCH STANCE. HE SAID THAT FOR TIME BEING, EMBASSY WOULD RESERVE ITS POSITION, AND WOULD FEEL FREE TO RAISE QUESTION AGAIN WITH FRENCH AUTHORITIES IN LIGHT OF OUTCOME OF AUCTION AND FRENCH GOVT'S SUBSEQUENT TREATMENT OF BIALAC IF HE WERE SUCCESSFUL BIDDER.

6. WE ARE INFORMING BIALAC'S PARIS ATTORNEYS OF SUBSTANCE OF OUR CONVERSATION WITH DELORME, AS REPORTED ABOVE, AND ASKING THEM TO INFORM FINANCE MINISTRY WHY THEY THINK FOREIGN INVESTMENT REGULATIONS REQUIRE BIALAC TO GET PRIOR AUTHORIZATION FROM MINISTRY TO BID.

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7. FYI ONLY. THROUGHOUT OUR MEETING WITH DELORME AND HIS ASSOCIATES -- AND EVEN MORE POINTEDLY IN PRELIMINARY CONVERSATION WITH NEBOT -- FRENCH OFFICIALS SOUNDED THEME THAT BIALAC HAD NOT HELPED HIS CASE BY FORMAL, ROUTINE MANNER IN WHICH HE AND HIS PARIS REPRESENTATIVES HAD OPERATED. THEY STRESSED THAT FINANCE MINISTRY HAD HAD NO DIRECT CONTACT WITH EITHER BIALAC OR HIS REPRESENTATIVES AND HAD NO WAY TO GAUGE WHETHER HIS FINANCIAL STANDING WAS COMMENSURATE WITH RESPONSIBILITY FOR PROJECT LIKE BELLE CREOLE. AT SAME TIME, HOWEVER, THEY HELD OUT NO HOPE THAT EVEN IF BIALAC SOUGHT THROUGH DIRECT NEGOTIATIONS TO CONVINCE FRENCH AUTHORITIES TO ACCEPT HIS PROPOSAL ON "OTHER" BENEFITS, HE WOULD BE SUCCESSFUL.

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